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FM AMEMBASSY PHNOM PENH

TO RUEHC/SECSTATE WASHDC IMMEDIATE 7827

INFO RUEHMO/AMEMBASSY MOSCOW PRIORITY 0378

RUEHFR/AMEMBASSY PARIS PRIORITY 0553

RUEHGP/AMEMBASSY SINGAPORE PRIORITY 0773

RUEHKO/AMEMBASSY TOKYO PRIORITY 3121

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY 0628

UNCLAS PHNOM PENH 000062

SIPDIS

SENSITIVE

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STATE FOR EAP/MLS AND EB/IFD/OMA

TREASURY FOR ANDREW JEWELL

E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [KTIA](#) [CB](#)

SUBJECT: FINANCE MINISTRY ON CAMBODIA'S BILATERAL DEBT

REF: A. A) STATE 913

[1](#)B. B) PHNOM PENH 42

[1](#)1. (SBU) On January 10, Pol/Econ Chief met with Deputy Secretary General Vongsey Vissoth at the Ministry of

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Economics and Finance (MEF) to relay points outlined in reftel A. Vissoth thanked the Embassy for the assurances regarding the USG position vis-a-vis the cut-off date, and mentioned that he was aware the Ambassador had raised the debt issue with DPM Sok An in late December 2006 (reftel B). However, he cautioned that the only person with decision-making authority on the debt issue is PM Hun Sen, who is thoroughly briefed on the matter. Vissoth advised that the Embassy push the PM's office if there is to be any traction. He added that the PM would like to put the bilateral debt issue behind Cambodia, but wants a "fair deal." Pol/Econ Chief stressed that the pending offer, coming after years of negotiation and concessions on the USG side amounting to nearly \$100 million, was the best offer that Cambodia could expect.

[1](#)2. (SBU) Pol/Econ Chief also related that the Japanese Embassy earlier indicated that the GOJ will not object to the RGC signing the debt agreement, assuming the cut-off date remains December 31, 1985. In addition, the USG would support Cambodia's returning to the Paris Club to request a rescheduling of the its loans. Pol/Econ Chief noted that signing the debt agreement would allow Cambodia to move forward on the proposed IMF Poverty Reduction and Growth Facility. Vissoth indicated that the RGC may not be interested in the PRGF; the RGC already has a shadow IMF program in place.

[1](#)3. (SBU) We also passed reassurances regarding the question of the cut-off date to the Japanese Embassy's Economic Counselor, Murata Tetsumi, who indicated that he would inform Tokyo. Tetsumi told us on January 16 that he was pleased with the information in reftel regarding the cut-off date and USG reassurances, and said that there would be "no problem" from the GOJ side if Cambodia signed the draft agreement with the USG.

[1](#)4. (SBU) John Nelmes from the IMF told us on January 16 that a IMF mission would be visiting February 14-21 to clarify RGC willingness to support an IMF program. Usually the IMF would meet with the PM at the end of the Mission; this time, the IMF will meet with the PM at the outset of the

mission and put the question to him. The IMF will also clarify whether the PM understands how close the RGC and Russians are on resolving their bilateral debt. Nelmes pointed out that MEF negotiators have tended to downplay the Russian offer, which the IMF does not believe to be that bad and close to what the Cambodians wanted in the first place. Nelmes indicated that Cambodia needs an IMF program, not just intensive surveillance or other measures that the IMF could offer as a substitute.

15. (SBU) Vissoth recommended that any interventions from the USG side at the Paris Club regarding Cambodia's debt be done quietly. He said that the October 2006 meeting had led to GOJ misperceptions and questions. Reassuring the Japanese at the upcoming Paris Club would be fine, but perhaps the discussions could be done on the margins of meetings, he advised.

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